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AUTHOR	Kourilsky, Marilyn; And Others
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ABSTRACT

The New Youth Entrepreneur curriculum is a series of 12 youth-oriented educational modules containing instructional materials, learning activities, and checkup exercises designed to teach students key elements of entrepreneurship. This document is the eleventh module, and focuses on issues related to managing the day-to-day affairs of a small business. Following introductory materials on the importance of efficiently managing a business, the first section describes the duties of owners and managers related to planning, organizing, directing, controlling, and evaluating. The next sections describe the following duties of owners and managers: (1) purchasing, including deciding where and how much to buy; (2) pricing goods and services, reviewing fixed and variable costs, describing the cost and markup approaches to price setting, defining the "break-even point," and providing exercises for determining prices; (3) selling to the customer, reviewing the importance of knowing customers, knowing the product, informing customers, and being truthful and reliable; (4) personnel selection, highlighting common sources of employees; and (5) record keeping, describing what type of information should be kept. The final section reviews strategies for effective time management in carrying out duties. (CELCEE, an Adjunct ERIC Clearinghouse on Entrepreneurship Education) (MAB)

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The New Youth Entrepreneurs

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How To Mind Your Own Business

Module 11

JC 960 247

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For More Information Contact

EDTEC

Education, Training & Enterprise Center, Inc.
313 Market Street
Camden, NJ 08102
Phone: (609) 342-8277
Fax: (609) 962-8110

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THE NEW YOUTH ENTREPRENEUR

How To Mind Your Own Business

Module 11

Created By

CEL

Marilyn Kourilsky

Carol Allen

EDTEC

Aaron Bocage

George Waters

Consultant

John Clow

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How To Mind Your Own Business

- The duties of a business owner/manager.
- Planning your purchasing.
- Pricing services and products.
- Personnel.
- Record keeping.
- Time management and "To Do" lists.

Management

Earle worked at a popcorn stand at the local movie theater for a couple of years. He enjoyed making the popcorn, serving refreshments, and meeting the customers. He lived in a small town which had many tourists in the summer because of various historical sites. Earle decided that a good summer and weekend job for him would be selling popcorn on the corner from a cart. He decided to be on his own instead of working for someone else. He was able to secure a used popcorn popper and cart at a reasonable price in a neighboring town. He spruced it up with a coat of paint — it looked like new.

He set up his business and it was quite successful. People liked his prices and his popcorn. He was busy from the time he opened until he closed.

One day he was thinking about the similarities and differences of his job at the movie theater and his work at the popcorn stand. In both instances, most of his time was spent making and selling popcorn. But there were some important differences. In running his own stand, he was always worried about the location of his cart — was it in the best location to attract the most customers? Was the aroma of popping corn heading in the right direction? Was he getting the best popcorn kernels for the lowest price? Was anyone else going to start selling popcorn or another snack on the street? These were matters he didn't even consider when he worked at the movie theater. He realized that his job responsibilities had indeed changed. When running your own shop, there are different concerns than when you are working for someone else. Earle found out there is a real sense of freedom when you run your own business, but there are also more responsibilities.

MANAGEMENT

PURCHASING PRICING ADVERTISING SELLING RECORD KEEPING

Good management is the key to your business success and a good manager must have control of all these areas.

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Management

In this module, we will look at different management/owner functions. After studying this unit, you will be able to:

1. Identify at least one difference between running your own business and working as an employee for someone else.

2. Define what is meant by a goal and indicate why setting goals is very important to a manager of a business.

3. Define the five functions of a manager and identify those functions in a case study.

4. Explain why the purchasing responsibility of an owner/manager is very important and list three important guidelines to follow in purchasing items for your business.

5. Identify two techniques to use in evaluating suppliers of the goods and services that you want.

6. Explain why the pricing process is very important for your business.

7. Define and differentiate between fixed and variable expenses. Identify expenses which are an example of each category.

8. Explain one way to price a service that you produce.

9. Define the cost approach and markup approach in setting prices for goods that you sell.

10. Define what is meant by the break-even point. Develop the break-even point for a particular small business.

11. List and describe four important areas which the owner/manager should keep in mind when selling goods/services.

12. Name at least three records that an owner/manager should keep and explain why records are important.

13. Identify two reasons why the business owner should keep an eye on what competitors are doing and what government is doing.

14. Provide at least one caution which the owner/manager should keep in mind when hiring new employees.

15. Define what is meant by time management and practice the use of time management skills.

Management

A big difference between running your own business and working for someone else is that you must manage many different aspects of a business when you are the owner/manager. You are responsible for making the decisions and "calling the shots". You cannot wait for someone else to tell you what to do.

A BUSINESS is the kind of activity that doesn't run on its own:

As the Owner/Manager,
YOU control what goes on!

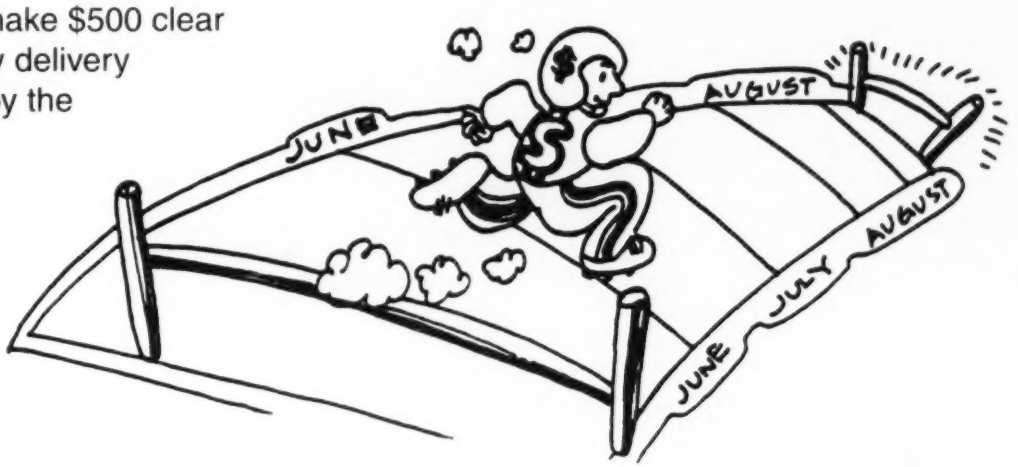
As the manager in your own business, you will have to take complete responsibility for everything that happens. No two businesses are managed in exactly the same way. But there are certain common elements that are found in all business operations.

First of all, you will have to SET GOALS - What is a goal ?

A GOAL is simply a statement, usually written down, about what you want to accomplish.

An example of a goal for a young entrepreneur:

I want to make $500 clear profit in my delivery business by the end of the summer.



Functions Of An Owner/Manager

As a one-person business, the owner/manager must see what has to be done, plan and organize how to get the tasks done, and then evaluate whether the job was completed in an efficient and effective way. If the owner/manager has employees, he/she directs the employee(s) to do the tasks and sets limits or controls on how the tasks are to be done. In effect, the owner/manager does five functions as a manager which are:

- Planning
- Organizing
- Directing
- Controlling
- Evaluating

To get a better understanding of these functions, let's take a look at a problem situation which Earle faced and then identify the activities which fit the five functions of an owner/manager.

One afternoon Earle found he had such good sales that he was running out of popcorn more quickly than expected. He was working alone at the stand and didn't want to leave because he was so busy. His good friend, Sam, who helped him out once in a while, was at home. He wondered whether Sam might be willing to go to the store to get some more popcorn for him. He walked over to the outside phone that is close to his stand, called Sam, and asked him to go to a particular store and get a bag of popcorn kernels and bring them within thirty minutes. Sam did just that. However, a short time later it started to rain and all the customers ran for cover. In reality Earle didn't need the additional package of popcorn kernels. Anyway, it was much more expensive than what he generally paid when he bought in bulk from his supplier.

Let's look back at Earl's situation and identify the activities which show the five functions of management.

Planning:	He could see that he was running out of popcorn kernels so he thought about a way to get more.
Organizing:	He called Sam to carry out the plan.
Directing:	He asked Sam to get the popcorn at a particular store.
Controlling:	He needed to have this task completed within 30 minutes.
Evaluating:	All in all, Earle's plan was not as beneficial as it might have been because of the cloudburst.

Duties of An Owner/Manager

Check Point! Check Your Understanding

Edward runs his own lawn moving service. He was going to camp for twelve days and knew the lawns would need at least one mowing while he was gone. He wondered what he could do in order to satisfy his customers. He thought about his situation quite a bit. Three lawns were involved. He made the following decisions. He decided to mow lawn #1 immediately before he left for camp. He knew that this particular one was very slow growing because of the amount of shade on the property and would probably not get very tall while he was gone. He decided that he would ask a friend of his to mow the other two lawns, indicating the amount of money that he would pay her for mowing them. He told her when the lawns should be done and how they should be mowed.

After he got back, he found that there had been a lot of rain. His friend had mowed the two lawns once as directed. He had a hard time getting his mower through the lawns, and wished that he had given some different instructions.

1. Do you think that an employee of a mowing company would have to make the same type of decisions as Edward?

2. Identify the situation(s) in Edward's story that show the following functional areas of management:

Planning: _____

_____

Organizing: _____

_____

Directing: _____

_____

Controlling: _____

_____

Evaluating: _____

_____

3. Edward reasoned that he should have given some different instructions to the person who was going to do the lawns. What do you think those instructions could have been?

Duties of An Owner/Manager

Responsibilities of an Owner/Manager

As an owner/manager, there are many different aspects to running a business. In other words, the owner/manager applies the five functions to a number of different areas which include:

1. PURCHASING or making your product.
2. DETERMINING A PRICE for your product or service.
3. SELLING your product or service.
4. KEEPING GOOD inventory and sales RECORDS.
5. HIRING, TRAINING, and MOTIVATING EMPLOYEES.
6. Keeping an eye on what COMPETITORS and the GOVERNMENT are doing and making any necessary changes.

Good management is the key to your business success and a good manager must have a good handle on all these areas.

Purchasing

Whether you sell PRODUCTS or sell SERVICES as part of your business, skillful, careful purchasing is an important part of your business. It can determine whether or not you will make a profit. There are four (4) important points to remember:

1. Know your customer.
2. Choose the right place to buy.
3. Know how much to buy.
4. Check the track record of each supplier and do cost comparisons.

Know Your Customer

Find out what your customers or the people you want to serve like and dislike. This will help you determine what to buy or make in terms of type, quality, quantity, brand, size, color, etc. If you have been in business for awhile, this is not too difficult. You carefully look at what was bought by the customers prior to making your new purchases.

Choose The Right Place To Buy

Choose the supplier or service person who will give you:

What you want - This means the goods and services that you know will be satisfactory for you.

When you want it - You want delivery of the good or the completion of the service at a certain time.

Reasonable prices - This does not necessarily mean cheapest price. For example, one supplier may be more expensive than another because of packaging the items in a better way. In this case, choosing the more expensive supplier is better because of less time spent returning broken or defective merchandise.

Dependable service - Dependable service means they will deliver your orders on time over and over again.

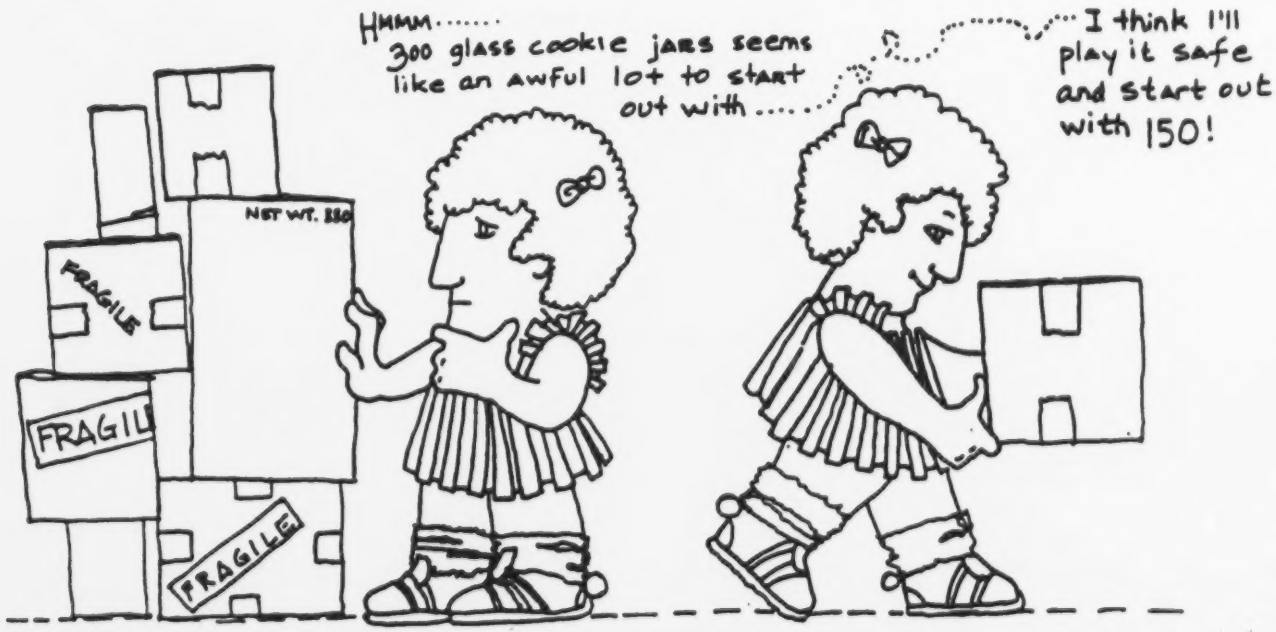
Base your purchasing decision on **quality, price,** and **overall dependability** of the supplier.

Purchasing

During its usually very profitable Christmas season, a student-operated greenhouse lost several hundred dollars because of an unreliable supplier. The salesman (SUPPLIER) did not forward a large order for poinsettia seeds in time for the greenhouse to properly grow the poinsettias to be sold to churches and schools before Christmas. Since this particular plant is associated with the Christmas season, it would have done little good for the greenhouse to have the plants bloom after Christmas. The undependable supplier cost the greenhouse all the money the students would have made from the Christmas poinsettia sales!

How Much To Buy

The amount you order must satisfy the amount you need. In the beginning it may be hard to estimate how much of a particular type of supply to buy for your business because you have not been operating the business. The best policy is to estimate on the "low" side until you figure out how much you really are going to use.


HMMM.....
300 glass cookie jars seems like an awful lot to start out with.....
I think I'll play it safe and start out with 150!
NET WT. 330
FRAGILE
FRAGILE
FRAGILE

Purchasing

Check the Track Record of Suppliers and Do Cost Comparisons

A. Find out as much as possible about the business practices of a possible supplier.

One way to do this is to ask the supplier for a **business reference**. Ask for the names of some of the supplier's accounts or customers. If you call these people or talk to someone else about the supplier, ask questions such as:

1. How long have they used this business?
2. What is the quality of the supplier's product?
3. Is the supplier dependable?

B. Get **bids** from at least three (3) different suppliers for the same item.

This is considered good business practice. A bid must contain a description of the specific item or service, the delivery date, cost and terms (how the bill is to be paid).

At least 3 different bids for the same item

C. Choose a supplier based on the information that you received. Do not expect to always have one of your possible suppliers be a perfect "fit" in all regards. Make the best choice weighing the pros and cons for each supplier.

Purchasing

Check Point! Check Your Understanding

1. Explain why you agree or disagree with the following statement. "What you purchase will determine whether or not you will make a profit."

2. Why is knowing your customer important in making purchasing decisions?

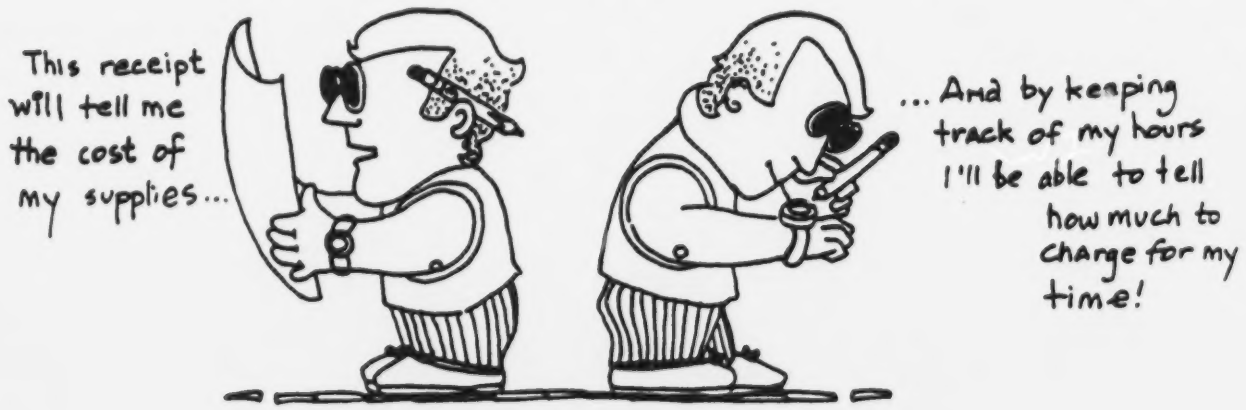
3. What are four requirements that a supplier must meet? What are at least two ways you can see whether they would tend to meet these requirements?

4. Explain why buying too much merchandise can be bad for the health of a business.

Pricing Good(s) and Service(s)

Pricing the goods or services that you are selling is very important in your business. The way you price your items directly affects your profits. If you price them too low, you might not be covering your costs, thus not earning any profits. If you price them too high, you might not have many customers, again not covering your costs. We will be looking at pricing for a service and a good, as well as looking at your break-even point for the business.

Pricing a Service - In the beginning you will have to ESTIMATE (use your best judgment) your costs for providing a service. You can make that first estimate more accurately by checking such items as the cost of transportation (bus fare, price of gasoline per gallon, distances you have to travel), the cost of supplies you use in providing your service, putting in a figure for your time, and determining the amount of your fixed or overhead expenses you should allot to the service.


This receipt will tell me the cost of my supplies...
... And by keeping track of my hours I'll be able to tell how much to charge for my time!

Pricing

Before doing the exact figuring, let's spend some time talking about **fixed** or overhead expenses. Fixed costs do not vary with the rate of output. Any costs could be fixed or variable depending on the moment in time. If a cost has been incurred, at that moment in time it is a fixed cost. Fixed costs are like "given costs." Examples include rent, insurance, flat telephone service rate, and advertising. Another category of costs is called **variable** costs. These vary with the amount of items that you sell. Examples include the costs of the supplies used to do a particular job, cost of bus fare to get to the job, and the amount that you pay an employee to do a particular job that you contract to do. You do not have these costs if you do not produce the service.

In pricing a service, you must consider both the fixed and variable costs. But there is one other item which should be included. Remember, people start businesses in order to make a profit. If you are to make a profit, it must be planned for, as part of the price. In pricing a service, you should consider the fixed expenses, the variable expenses, and the profit.

Now to take an example, suppose that Curtis runs a cleaning service. A person across town sees his service advertised in the newspaper and wants him to clean his basement. One question that Curtis must answer before starting the job is the price of his service per hour. He should get estimates for the following items:

1. Cost of supplies used (variable cost).
2. Cost of his time doing the job (variable cost).
3. Cost of transportation to job (variable cost).
4. Proportion of fixed expenses which should be allocated to job (fixed cost).
5. Amount of profit to be made on this job.

Pricing

In figuring his price, Curtis estimated that he would use $2.00 worth of cleaning supplies per hour. He also decided to charge $6.00 per hour for his time, basing this on what other cleaning workers with the same experience earn. He figured it would take three, eight-hour days (24 hours total) to complete the job. This would mean 3 round-trip bus trips: a total cost of $12.00, since it is $2.00 one way. This would add $.50 to the hourly charge ($12 bus fares/24 hours). The major fixed expense that Curtis has is newspaper advertising which runs $40.00 a month. Since he works about 20 days a month, he allocated $2.00 per day for fixed expenses. This means that it would be approximately $.25 per hour for the eight hours per day. At this point we are up to $8.75, which is shown below:

$2.00	Cleaning Supplies Used per Hour
$6.00	Labor Cost per Hour
$ .50	Transportation Cost per Hour
$ .25	Fixed Cost Expense per Hour
$8.75	Total

Profit is the only item that we have not included in this pricing procedure. The usual profit margin is about 25% above your costs. Some businesses add a little more, some a little less. Let's imagine that Curtis adds on $2.25 per hour for profit which will bring the price for his service to $11.00 an hour.

With pricing you generally have to do some experimentation. In some instances Curtis might not be able to get $11.00 per hour for his work; people might not pay that much. He might have to take a smaller profit margin in order to get work. On the other hand, if Curtis proves to be a fast, efficient worker, he might be able to increase his price. People would be willing to pay him more than his competition because of the quality work that he does very quickly.

Pricing A Good Which You Produce

If you produce a good and sell it, the pricing process generally is the same as what was covered for pricing a service. The primary difference is that you must put in the costs of the materials which go into producing the item. Suppose that Marty developed a business which involved putting innovative designs on T-shirts and selling them to the public from his home. In order to price his product, he would have to estimate the following:

- Cost of T-shirts.
- Labor cost.
- Other variable costs such as transportation, thread, dyes, etc.
- Fixed costs such as telephone, advertising, cost of machinery, etc.
- Profit.

As another example, Carol enjoys sewing doll clothing. She was complimented many times on the quality items that she sewed for her own doll collection. She decided that a good part-time job for her would be to sew custom-made doll clothes. Mrs. Jones, who is a doll collector, came to Carol to make a party dress for one of the large antique dolls in her collection. Help Carol determine what price she should charge for the dress from the following information:

Materials needed to make dress	$ 4.00
Estimated time to make dress	4 hours
Price of Carol's time	$8.00/hr
Estimated wear and tear on the sewing machine	$16.00/month
Use of machine	40 hours/month
Transportation to get supplies	$2.00
Profit margin	25% of costs

Pricing

Check Point! Check Your Understanding

1. Should Carol charge the same for this dress as she had charged Mrs. Jordan for a handmade rug for a doll house? Why or why not?

2. What would be a fair price for this doll's dress?

3. Identify which of the listed costs are fixed and which are variable.

Pricing a Good Which You Buy and Resell (Retail Selling)

A pricing system used by many in retail selling is called the markup approach. This is a common approach used by many retail stores in your area. The way it works is to mark up (raise) the selling price by applying a definite percentage to the purchase price. Many times, it is a uniform percentage applied to all of the goods in the store or at least all of the goods of a certain kind.

For example, you own a store that sells shirts. You buy your shirts from the manufacturer for $20.00 **(purchase price)**. You use 50% markup to determine your selling price. This means you determine what 50% of the purchase price is and then add it to the purchase price to come up with your selling price.

Purchase Price of Shirt		$20.00
Add:	50% Markup ($20.00 x .50)	+10.00
Selling Price		$30.00

What would the selling price be if you had a 100% markup? A 150% markup? The markup can actually be any percentage that you want it to be, but remember, if it is too high or too low you will not make a profit.

Some people believe that the markup equals net profit. This is incorrect. Costs must be paid from the markup, including labor costs to sell the item, rent, electricity, advertising and other fixed and variable expenses. Let's not forget that the markup must also include profits.

Various retail trade associations recommend a specific markup for their items. If you follow one of those recommendations, make sure that the markup covers the various expenses that you have plus an amount for profit. You may have to increase your markup on items if the recommended one for your industry does not meet your situation. You may also need to decrease the markup percentage if you have to decrease your prices in order to gain and hold customers.

The process of pricing is not a precise activity. When you start a business, there is a little bit of trial and error in order to set your prices. This is the way it has to be because you have to get to know the market in which you are operating.

Break-even Point

It is also important to understand when you will reach the break-even point for your business. This is the point where your total costs will equal your total income. It is the point where you have sold enough items to cover all your costs. Some of you might think that you start to make money with the first sale because you put in a profit figure in pricing your items. That is not correct because of fixed costs. Remember, fixed costs are those which do not vary with sales. They need to be paid whether or not you sell anything. Advertising, rent, general telephone charges, insurance and electricity are examples of fixed costs.

Let's look at some information to determine where the break-even point will be for a small business. Return to our example of Curtis who has a cleaning service. The cost data for his operation are given below. Imagine that he uses about the same supplies for all of his cleaning jobs and has the same transportation charges. Also, let's assume he can receive $11/hour for his services from everyone he contacts. At what hour of his work will he break even?

Variable costs (cleaning supplies, labor, transportation)	$ 8.50
Fixed costs	$ .25
Profits	$ 2.25
HOURLY CHARGE	$11.00

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Pricing

Keep in mind that the variable costs fluctuate according to how many hours that Curtis works, but the fixed costs do not. All of the variable costs are being picked up each hour that the individual works. The fixed costs, which are stationary, have to be recovered from the estimated number of items sold, or hours of service provided, over a particular period of time.

The key then, is to determine how many hours are necessary to cover the fixed costs; which in the case of Curtis' firm, is $40.00 a month for advertising. Notice that the hourly rate is $11.00. In that rate, $2.25 is for profit and $.25 is the return for fixed expenses. An easy way of figuring the break-even point is to take the total fixed costs and divide it by the total of profit and return of fixed expenses per item sold ($40.00/$2.50 = 16 hours). Since we are talking about when Curtis will reach the point where expenses will equal total revenue, it is clear that it is at the conclusion of the 16th hour of work, which is provided below.

Variable costs for 16 hours of work ($8.50 x 16 hours)	$136.00
Total fixed costs for operation (monthly advertising)	$ 40.00
TOTAL COSTS	$176.00
Revenue for 16 hours of work ($11 X 16)	$176.00

For those starting a small business out of their homes where parents supply some of the fixed cost items such as space, telephone, insurance, etc., the break-even point for your business generally will come very early. That is, you will not have to sell a lot of goods or services before you reach your break-even point. The reason for this is that your fixed costs are low.

Another important point to remember about break-even point is that the fewer sales you need in order to recover costs, the less risk you are assuming. If things do not go as well as expected, you will still be able to recover your basic costs. That's why lenders look at break-even analysis. The less risk to be assumed, the lower the rate of interest and the more likely a bank is to grant you a loan.

Pricing

Check Point! Check Your Understanding

Now, let's see if you can determine the break-even point for the following situation:

Sally's Delivery Service

Revenue Source:	
Price she charges per trip	$4.00
Estimated weekly revenue	$48.00
Expenses:	
Labor costs per trip	$ 3.00
Maintenance & upkeep of bicycle per trip*	$ .25
Advertising per trip*	$ .50
Profit per trip	$ .25
	$ 4.00
Advertising for Month	$24.00
Maintenance for Month	$12.00

*Based on four-week month.

1. When will Sally reach her break-even point?

2. Is the break-even point reached after a few deliveries or after many?

3. Would you make any recommendations to Sally about the prices she charges?

Selling To the Customer

There are a number of factors which you must consider if you are going to sell effectively to customers. These factors fall into several different categories which are:

1. Know Your Customers.
2. Know the Products/Service That You Are Selling.
3. Inform The Customer Of What You Have To Offer.
4. Relate To The Customer In A Truthful, Reliable Way.

Know Your Customer - To be effective, you need to know the nature of your customer base. We have already mentioned this in the area of purchasing goods. What do they like in the way of services/products that you are selling? What kind of income level do they have? What are their spending patterns? Keep in mind that the tastes of your customers may change over time so the items you have to sell should change along with how you sell the product. All of this will relate to the purchases that you make and the pricing that you put into effect. If you don't know your customers, you will have trouble focusing on how to meet their needs.

Know Your Product/Service - To be an effective salesperson, you must know your product. What are its strengths and its weaknesses? Customers generally like a salesperson to tell them something about the product - how it is used, its durability, how it was made, etc. The good salesperson has good product/service knowledge.

Inform Your Customer of the Items That You Have To Sell - Many people think that if they put out a good product/service people will automatically buy it. This is hardly true. The consumer must be informed about the availability of the product from you. This can be done through such channels as advertising and public information pieces. If you treat your customers well, they will also do some positive word-of-mouth advertising for you.

Selling To the Customer

Relate to the Customer in a Truthful, Reliable Way - Trust is an important relationship in the business world. Customers like to do business with someone who they trust and who is very helpful. Do your best to help customers with their needs. If you do not have the goods or services that they want, be honest about it. Try to direct them to other businesses which may have the item that they want. Remember, word-of-mouth advertising is probably more powerful than the most impressive ads.

Customer satisfaction is what you want to achieve with those with whom you do business. In this way you will have repeat customers. Satisfied customers encourage others to try your business. The ripple effect continues.

Selling To the Customer

Check Point! Check Your Understanding

1. There are several things you should know if you are to relate to the customer in an effective way. Describe some of the knowledge you should have.

2. Explain why knowing your customer relates to the items that you purchase and the prices that you set on the goods or services that you sell.

3. What is word-of-mouth advertising and why is it important to the success of a business?

4. Why is relating to the customer in a truthful, reliable way important for the small business person?

5. Why is word-of-mouth advertising not always enough to get the word out about the items that you have to sell?

Personnel Selection (Hiring)

If your business gets large enough to need outside help, an important task is selecting someone to work with you.

When you first start your business, we recommend that you not hire people to work for you unless it is absolutely necessary. The laws are very strict about what you must do when you officially hire people to work for you. You will need professional help (lawyer, accountant, experienced business owner) to advise you what to do.

If you do need someone to work with you, make sure they have the skills and are willing to put forth the effort to do the job well.

Check with these sources for possible helpers:

- Friends
- Relatives
- Advertising on bulletin boards at:
  - churches
  - supermarkets
  - schools
  - community center

Changes in External Factors

The small business person is not an island unto himself/herself. We have already covered how customers affect the small business. But there are other important players - like your competitors and the government.

Let's take a look at the competitors first. In order to attract more business, your competitors may lower their prices. When that happens you may have to make some changes in order to hold your customers. You might want to lower your prices and at the same time try to lower your costs so that your profit margins are maintained. Or you might want to keep your prices at the same level, but add some type of additional service which you know your customers would like. Knowing your customers, what they like/dislike, and their income level will be very valuable in making this type of decision. For example, if many of your customers are from higher income levels, lowering your prices may not be as beneficial as providing another type of service with the items that they purchase.

The government, be it local, state, or national, affects the small business person both directly and indirectly. One of the direct ways government affects the small business is through additional taxes and regulations. Increasing taxes or increasing the requirements to do business decreases profits unless prices are increased and/or costs are decreased. The small business person must be alert to that.

Government also affects businesses indirectly. Suppose that the fare for a bus goes up by twenty-five percent. If you are in the delivery business you will probably see a rise in the number of people who want to use your service because some people may not want to pay the extra fare. Of course, the opposite could happen if the bus fare decreases.

Record Keeping

There are a lot of records that you will need to keep, including a checkbook, accounts receivable and accounts payable, sales receipts, purchases receipts, inventory records and the like.

There are a few other records which should be kept, primarily a notebook focusing on your customer base and including the following types of information:

1. Customers' names.
2. Customers' addresses.
3. Customers' telephone numbers.
4. A record of the sales you made or the services you performed.

Records are important for evaluating the health of your business. Records can show if you have made a profit, if you are satisfying your customers, if your sales are increasing or decreasing. Records may be a nuisance, but they are necessary for decision making.

Time Management

In order to properly manage your business, you need to properly manage your time.

Time management is important. The job of minding your own business is mostly one of PLANNING.

PLANNING TAKES TIME

APPOINTMENT BOOK
Managers make daily plans, which include:
1. Appointments.
2. Things to check on.
3. Calls to make and return.
TICK TICK TICK TICK TICK

Develop a DAILY PLAN - A **"TO DO LIST"**. This is a list of things (jobs) you will need to get done on a given day. You may not get all of them done, but the things left on your list at the end of one day become part of the "DO's" for the next day's list. If you can, list the most important things first.

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EXAMPLE OF AN ACTUAL TASK LIST, DAILY PLAN, OR "TO DO" LIST:

Instructions: Check ( ) for completion.

"TO DO" list, Tuesday April 1,1995

Take clothes to cleaners	( )
Call Jim about going to game on Saturday	( )
Clean room	( )
Go to library to start social studies report	( )
Pick up the order of trash bags for business	( )
Collect money from Mrs. Nittingham	( )

ACTIVITY: Write a "To Do" list for Danny based on the following situation:

Today, before he left for school, Danny's mother asked him to pick up some groceries from the supermarket on his way home from school. He also had to return a book to his friend Greg after the English test. His brother reminded him to return his grandmother's telephone call.

"TO DO" list, _____19__

_____

_____

_____

_____

WRITE YOUR "TO DO" LIST FOR TOMORROW:

"TO DO" list, _____19__

_____

_____

_____

_____

Check Point! Check Your Understanding

1. Name at least four separate records that an owner/manager should keep on his firm. Explain why records can help an owner/manager evaluate the performance of his business and set new goals.

2. Name at least one way that competitors can affect your business. Identify two ways that government can affect your business. Then explain why a business owner must keep an eye on what government and competitors are doing in order to maintain a good business.

3. Comment on the following statement:

   "Don't hire someone as an employee in your small business unless you have to."

Management

Gerod is a very good drummer. He started playing the drums when he was seven years old. Now he is fourteen and is well known in the community for his drumming ability.

Gerod thought about ways to earn more money for himself. He started giving lessons to younger people who would be interested in learning how to play drums. He did not charge as much as an adult, but he charged more than his friends will earn hourly, working at the local grocery store stocking shelves. Answer the following questions about Gerod's operation:

1. What would Gerod have to purchase in order to run this business?
2. What factors should he take into consideration in pricing the lessons?
3. How would you recommend that he sell his services? Should he advertise in a local newspaper? Rely primarily on word-of-mouth advertising? Is his ability to relate to students and to teaching the skill related at all to selling the service? Explain.
4. What are some of the records that Gerod should keep?
5. Do you think he should hire someone else to help run his business? If so, when should that person be brought into the firm?
6. Suppose that an adult who plays in a well-known band starts to offer private lessons in the same community. He charges 50% more than Gerod. What do you think Gerod should do as a result of the addition of this competition?
7. Suppose that the local school starts to offer drum lessons at no charge starting at the 7th grade level. How would this affect Gerod's business?

Management

The management cycle for young entrepreneurs